Annual Report 2010-2011

Prince Edward Island
Department of Agriculture
Annual Report

For the Year Ended
March 31, 2011

Cover photo by Micah McGuigan, 2011 finalist in the Department of Agriculture's Celebrate Agriculture Photo Contest.

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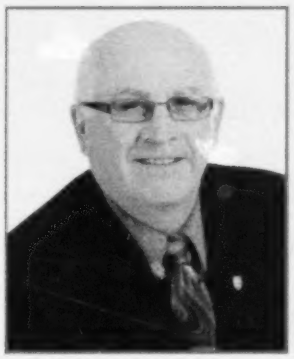


The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

May It Please Your Honour:

I have the honour to submit herewith the Annual Report of the Department of Agriculture for the fiscal year ending March 31, 2011.

Respectfully submitted,

George Webster
Minister of Agriculture

Message From the Deputy Minister

The Honourable George Webster
Minister of Agriculture
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

I am pleased to submit the Annual Report of the Department of Agriculture for the fiscal year ending March 31, 2011. The report outlines the department's activities from April 1, 2010 to March 31, 2011.

Respectfully submitted,

John MacQuarrie
Deputy Minister

Expenditure and Revenue Summary

Division	Original Budget	Revised Budget	Actual Expenditure/Revenue
EXPENDITURE BUDGET			
Corporate and Financial Services	$14,465,700	$15,752,300	$16,632,155
Agriculture Resource Division	$8,609,500	$7,881,200	$7,836,194
Agriculture Policy and Regulatory Division	$6,182,700	$6,077,200	$5,775,501
PEI Analytical Labs	$1,331,300	$1,421,700	$1,394,829
Total	**$30,589,200**	**$31,132,400**	**$31,638,679**
REVENUE BUDGET			
Corporate and Financial Services	$4,395,800	$4,735,000	$4,624,966
Agriculture Resource Division	$9,000	$9,000	$54,472
Agriculture Policy and Regulatory Division	$963,900	$773,900	$690,831
PEI Analytical Labs	$451,800	$451,800	$416,836
Total	**$5,820,500**	**$5,969,700**	**$5,787,105**
TOTAL NET	**$24,768,700**	**$25,162,700**	**$25,851,574**

Based on Financial Reports of July 11, 2011.

During the 2010/11 fiscal year the Department's Expenditure Budget was increased by approximately $540,000; however; actual expenditures were just over $1M in comparison to the Department's original budget. This increase was directly related to higher producer enrollment in the Production Insurance Program which is cost-shared among producers, the Federal Government and the Provincial Government.

Key Goals

Goal #1 – Sustainable Growth of Agriculture

This goal recognizes that industry growth results from successful, profitable and sustainable enterprises in a market-led environment. This rests on the continued sustainability of key sectors in the primary industries and ongoing research and development for all resource sectors. The department works closely with the industry, other government departments and businesses to encourage the production and marketing of new and expanded products, value-added growth and identification of new opportunities for diversification.

Strategies

Staff of the Agriculture Policy and Regulatory Division coordinated, in co-operation with industry and Agriculture and Agri-Food Canada, a range of trials at the Harrington Research Farm designed to define the characteristics of a number of new oilseed crops for production in the province.

The Inter-Departmental Biofuels Committee (IDBC), chaired by the Deputy Minister of Agriculture, continued to receive staff support from the division during the past year. Areas of involvement included perennial grasses for renewable energy, the Canadian Bioenergy Forum and the National Bioeconomy Network meetings.

The Fall Rye component of the Bioeconomy Crop Initiative involves 13 farms and approximately 2,000 acres. This work serves to identify the economic and environmental benefits of crops that will serve as platforms for the development of the provincial bioeconomy.

Prince Edward Island continues to lead the Atlantic region in standardbred horse production, raising approximately 60 percent of the foals within the region. Over one-third of the province's yearly production will subsequently be sold outside the region during their racing career. Prince Edward Island continues to lead the country in new horse ownership and has experienced significant increases in the number of horse racing and total purses.

The department supports the identification of new products, processes and services that respond to market opportunities and result in increased diversification. The department continues to support the development of high quality, high value products in all sectors. This includes a focus on innovation and the development of strategies to support the expansion of organic production. Projects to evaluate new crops, new uses for crops, new technologies and new approaches to marketing include the following programs and endeavors:

- The Department initiated a Traceability Pilot Project with the PEI Cattle Producers to demonstrate effective use of RFID (Radio Frequency Identification) technology for tracking animal movement between premises, and capture information on location, health related events, animal birth dates, and animal movement from cow calf to the feedlot and the plant.

- A registration system for mink producers was developed and the Aleutian Disease Control Program enhanced.

- There was continued support for the development and growth of the organic industry as the program assisted 43 applicants with costs associated with organic certification of their operations. Through the Organic Industry Development Program, 14 new projects were initiated and 17 multi-year projects were continued. There were seven agro-environmental projects approved. The organic industry development officer conducted a survey of past program participants and arranged a focus group to assemble information for future organic programming needs.

- Staff participated in a number of international trade and marketing missions designed to promote, develop and expand market opportunities for Island agricultural products (livestock genetics, seed potatoes, Island wild blueberries).

The Department continued to prioritize strategic opportunities to enhance product development and marketing of Prince Edward Island agri-food products under the "PEI Flavours" brand.

- The Agri-Food Market Development and the Agri-Food Promotion programs assisted farmers and others to promote the consumption of PEI produce, thus increasing farm-gate sales. The department received 127 applications and approved over $155,000 under the two programs. Projects funded included advertising/promotion, signage, training and season extension equipment. The PEI Flavours logo was added on packaging, promotional material and advertisements.

- Staff assisted farmers pursuing value-added projects to evaluate the ideas and concepts objectively from a market and financial standpoint.

- Product development and marketing workshops were organized by staff throughout the year. A "Cultivating Ideas" workshop provided participants with the opportunity to greater understand the steps involved with developing new food products. The event included panel discussions with Island food entrepreneurs, a session on specialty food trends, and a tour of Canada's Smart Kitchen. The workshop's guest speaker was Peter van Stolk, founder of Jones Soda.

- During the year, greater emphasis was placed on promotion through social media. Facebook and Twitter were used to increase the visibility of PEI agriculture products. A cornerstone promotion was built around the concept of "local food heroes". A "PEI Food Hero" site **(http://apps.facebook.com/food-hero)** was created where people were encouraged to share their passion about PEI food, explain the reasons why they love PEI food, how to enjoy it and their favorite PEI food experiences.

- Other more traditional media and print advertising included: the printing of 50,000 copies of the "Farm Fresh Directory," newspaper ads, posters, bus shelter ads, ads in various Island publications, "What's in Season" radio ads and a CBC television ad.

- The department provided financial and staff resources to projects undertaken by the PEI Culinary Alliance. The PEI Culinary Alliance is a partnership of industry, provincial and federal government department and agencies formed to facilitate the development of innovative food industry partnerships, culinary experiences and promotional programs.

- Projects of the Alliance included:

    - "PEI Flavours Trail" a culinary guide of PEI that links farmers, fishers, restaurants, and food events in both a paper booklet and website. One hundred and fifty-one listings were received and 80,000 copies of the trail booklet were distributed.

    - "Food Country" a web video series of 24 episodes showcasing Prince Edward Island's products including agriculture produce. The series is hosted by Chef Michael Smith and its purpose is to showcase Island food and promote PEI as a food destination —

    - www.peiflavours.ca/index.php/channel/food-country-show.

    - "Fall Flavours Festival" was a month-long celebration of PEI food featuring more than 250 culinary and cultural events. The department hosted a booth at the "Farm Day in the City" event.

- The PEI Department of Agriculture partnered with PEI Potato Board and the Department of Tourism for a second year on the marketing initiative "Pack Your Appetite for Prince Edward Island Potatoes." The initiative strategically served to promote PEI potatoes to retailers and consumers in Ontario and Quebec, and New England earlier in the marketing season, while simultaneously promoting the province as a culinary tourism destination. The major component of the campaign was in-store promotion and advertising. With the use of a PIN number on the "Pack Your Appetite" logo on an estimated three million bags, consumers could enter a on-line contest where two winners each received an all exclusive potato culinary vacation for four to Prince Edward Island. In addition, weekly draws of grocery certificates helped to keep interest up for the duration of the campaign. The on-line contest was very popular, with 96,000 entries received. The data collected from the entries is being used by the PEI Potato Board for the development of marketing strategies.

- Department staff began developing a "PEI Flavours" brand identifier for the Asian market. Creating an identifier helps the province to better stand-out in an increasingly competitive and crowded marketplace. The brand identifier has a QR code accessible by users of Smart Phones. The QR code directs current/potential customers to a PEI URL and has the ability to track and measure promotional campaigns.

In cooperation with industry organizations and other departments, the department identifies new opportunities for crop and livestock production, and new uses for products and by-products including bio-fuels and bioactive compounds. The department will continue to develop linkages with research and development initiatives in areas such as biosciences and food technology.

The department continues to foster a culture of research among industry through the Agriculture Research Fund. Many sectors have accessed funding to address industry priorities. Research included:

- development of a value added forage product
- late Blight and virus research for potatoes
- crop by-product feeding trials for livestock
- variety trials

The department coordinated the development of a Potato Research Advisory Group, comprising of representatives of the department, Agriculture and Agri-Food Canada research scientists, potato processors, the PEI Potato Board, and private researchers. The group shares research activities and results, identifies industry research priorities for the upcoming year, and seeks sources of funding to conduct the research.

The department supported 21 new proposals in 2010, through the Agriculture Innovation Program. Producers across the Island evaluated innovative technologies such as cranberry harvesting equipment, a trellis system for apples, waterbeds for dairy cattle, equipment to improve potato quality, and an automated carrot sorter. New value added products such as wines from vinifera grapes, lavender products, and gourmet mushrooms were developed, and new crops such as buckwheat for seed production and asian beans for the food market were grown.

The department's **Future Farmer Program** assisted new entrants to establish profitable and sustainable farm businesses. Staff advisors worked closely with new entrants to understand their farm goals and objectives, and to provide clients with professional information and advice. The budget allocated funds to participants in the areas of: interest relief, training, and reimbursement for enrollment in the Risk Management programming and sample testing at the PEI Analytical Laboratory. In the 2010/11 year, there were 134 participants in the program including 25 new applicants. During the year staff organized training workshops in the areas of succession planning, financial management, business development, and marketing.

The **Business Development Program** provided farmers with business practices assessment, business planning assistance and training. There are five sub-programs under which farmers applied to programming to help them respond to change and facilitate the development of sound business practices. Participation in the programs was strong with programming expenditures exceeding $1 million.

- Thirteen self-assessment workshops were held with 86 farmers attending. The facilitated workshops offered participants the opportunity to prioritize their current farm management practices and skills.
- Nineteen farmers accessed financial assistance to hire a consultant to conduct a comprehensive financial assessments and analysis of their business under the Financial Assessment sub-program.
- Sixty farmers hired consultants to assist them with the development of projections and business plans, strategic plans, succession plans and feasibility studies under the Business Planning sub-program

- Sixty-two farmers participated in the SKILLS sub-program and received financial assistance for farm skills training, helping to enable them to increase the profitability of their farms and make choices about sources of income
- Ten farm groups received funding for training programs focused on the development of business skills for farmers under the Training sub-program.

The Department of Agriculture had a strong presence at Old Home Week 2010 with a "Celebrate PEI Agriculture" area located in the Trade Centre. The purpose of the exhibit was to connect Islanders and tourists with the story of agriculture and Island farmers, and included the incorporation of education, and inter-active displays to tell the agriculture story. Highlights of the area included an "agriculture photograph" exhibit, inter-active displays, an "Agriculture Innovation" booth and Island produce displays.

Goal #2 – Effective Risk Management and Increased Industry Stability

Producers face a great deal of uncertainty because of factors such as the weather, diseases, invasive species, market fluctuations, and other factors over which they have little or no control. Helping the industry deal with uncertainty is the major goal of risk management strategies. The stability of the industry is critical if it is to continue to grow and develop, improve profitability and encourage investment.

Strategies

Supported by the department, the Marketing Council acts on behalf of the people of Prince Edward Island and supervises the creation and operation of producer boards, commissions and groups that regulate and control the production, sale, processing, marketing, transportation and pricing of natural products.

During four regular meetings held the past year, the Council's main focus included monitoring activities of commodity boards and commodity groups to ensure they were in general compliance with the Act and regulations; developing critical amendments to the Natural Products Marketing Act; developing amendments to the Hog Commodity Marketing Regulations, the Poultry Meat Commodity Marketing Regulations and the Dairy Farmers of Prince Edward Island Regulations; adjusting the producer Class 1 milk component prices and wholesale fluid milk product prices; and setting bulk milk transportation rates.

Monitoring activities include reviewing reports that highlight commodity board minutes, audited financial statements, annual reports and other reports received from boards. Council representatives also attended annual and other meetings of commodity boards and commodity groups.

Staff maintained regular participation in meetings of the federal-provincial Agricultural Trade Policy Committee. This committee facilitates federal-provincial and interprovincial exchange, as well as provincial contributions to the federal government on agricultural trade policy issues, including bilateral and multilateral trade negotiations and agreements. An important item on the trade agenda is the current negotiations between Canada and the European Union concerning a Comprehensive Economic and Trade Agreement. Of particular interest to Prince Edward Island is the potential to reduce both tariff and non-tariff trade barriers for agriculture and food goods.

The department continued to promote increased participation in safety net programs including production insurance and to help identify business risk management tools and strategies.

- Departmental staff continued to promote the importance of nutrient management planning by initiating four percent discounts on production insurance premiums to those producers participating in nutrient management split field trials.
- Incentives were also provided to producers participating in the Canada-PEI Business Development Program towards the costs associated with production insurance and the Agristability program.

Goal #3 – Strengthen Environmental Stewardship Practices

The primary industries depend on the health and quality of the environment. Protection of the health and quality of soil, air and water resources, and maintaining biodiversity are priorities for industry, government, and the public. Improved environmental stewardship results from a combination of policy, legislation, information, services and incentives

Strategies

The new Bioeconomy Crop Initiative is designed to allow farmers to pursue emerging market opportunities by producing crops for the bioeconomy while working to improve the environmental sustainability of the province. The purpose of the Bioeconomy Crop Initiative is to identify the economic and environmental benefits of crops that will serve as platforms for the development of the provincial bioeconomy. The eligible crops under this program have been selected for the role they can play in mediating environmental concerns of all Islanders – soil erosion and increasing levels of nitrates in drinking water.

The department continues to support industry efforts by providing applicable policy, technical assistance, and financial support for on-farm conservation and the implementation of best management practices and technologies that protect soil, air and water quality and that enhance biodiversity.

- The Canada/PEI Agriculture Stewardship Program provides technical and financial support to Island producers to implement Beneficial Management Practices that will reduce environmental risks that could be imposed by their farms. In 2010/11, 189 projects were completed under the program allocating $958,665 of program support.
- The department continued its involvement with other provincial government departments in developing a response to each of the recommendations in the report of the Commission on Nitrates in Groundwater. The department, in cooperation with the Agriculture Insurance Corporation, provided technical support and financial incentives which resulted in increased nutrient management activities among agriculture producers. In total, 175 producers participated in nutrient management activities. The department has remained active in fertility research that will fine tune fertility recommendations for various crops/varieties grown on Prince Edward Island. The department continued its training and verification of fertility recommendations provided by private sector nutrient management planners. The department has been involved in software development primarily for nutrient management accountability with the capability of including environmental farm plan, management plan, record keeping, and food safety records required by agri-businesses and governments.

The laboratory continued to provide timely and accurate analysis on dairy, feed, soil and water samples. This division purchased and installed state-of-the-art instrumentation including a Mass Spectrometer and a Bactoscan. The Mass Spectrometer allows the laboratory to detect concentrations at the part per trillion level. The Bactoscan measures bacteria in milk by staining individual DNA cells. Results from these and the other existing technologies help to enable producers to make informed management decisions on farm.

As a result a two-year Ecological Goods and Services Pilot Project, completed in 2009, the Province of Prince Edward Island created the Alternate Land Use Services (ALUS) program. The ALUS program financially rewards producers to retire environmentally sensitive high slope land, to enhance buffer zones, to maintain fence lines, to establish treed riparian areas and offers payments for land utilized by soil conservation structures and grassed headlands which are not required by buffer zone legislation. The Departments of Agriculture and Environment, Energy and Forestry partner in the delivery of the program. Annually $1M is committed to the program. To date, the program has received 350 applicants which directly impact approximately 8,100 acres of land.

Goal #4 – Improve Food Safety, Traceability and Quality

Improvements in food safety and quality are critical to ensure market access and to help support the differentiation of Island products in the marketplace. This is achieved through food safety legislation, regulations and policy, emergency preparedness and traceability systems which support market demands for quality assurance. Food quality initiatives and labeling will help support the development of products that are recognized and rewarded in the marketplace.

Strategies

The Agriculture Policy and Regulatory Division is administering the Food Safety, Biosecurity and Traceability program. In 09/10, funding was provided to two sectors to provide producer training on their national on-farm food safety programs. The Prince Edward Island Horticultural Association conducted 34 workshops as well as consultative farm visits on the Canada Gap Potato Program for the potato industry. The Prince Edward Island Cattle Producers also offered producer training sessions and conducted awareness events on the national Verified Beef Production program. Under the Implementation Assistance sub-program, 114 farm units accessed cost-shared funding to purchase food safety and traceability items in order to meet national program requirements.

The division continues to participate in numerous federal/provincial/territorial (FPT) committees that are developing strategies to ensure a consistent national approach to key industry issues. The FPT Traceability Task Team is working with national livestock and poultry organizations on implementation plans that will provide the information needed in the event of an animal disease outbreak. The FPT Food Safety Committee has developed a strategy to enhance the level of food safety in Canadian agricultural products. Participation in these committees and others such as emergency management, biosecurity and animal health ensures that the department has input into national decisions.

The department continues to work closely with all sectors of the industry to ensure food safety systems and standards in production and processing are implemented along with appropriate surveillance and traceability systems.

On-going initiatives to develop the Island bee industry and availability of local pollinators include:

- coordination of the Honey Bee Inspection Program for disease management
- conduction of a pilot project for Nosema analysis. The presence of Nosema can greatly reduce the bee's life span

- administration of a Queen Bee Importation Program designed to incorporate improved genetics into honey bee operations
- participation in a pollen survey project in cooperation with Acadia University and the other Maritime provinces

The blueberry industry reached its maximum historical yields in 2010 with 12.4 million lbs of fruit produced. Field prices increased compared to the previous year, but remained below a comfortable level for growers. As land matures from recent expansion efforts, growers continue to manage fields without adequate numbers of honey bees. The department continued to work with both the blueberry industry and beekeepers to increase the number of colonies available for pollination. As well, the department's Monilinia Blight monitoring service continued to be a useful tool for growers who struggle with increasing disease pressures. The blight monitoring service identified optimum timing for fungicide applications, reducing the number of applications required for optimum disease control.

Cranberry growers continue to work through a period of depressed field prices. Growers continue to manage their operations to maximize yields while field prices remain well below the cost of production. An in-field training program was initiated by the Department with the Growing Forwarding Training Program. This initiative allowed growers to engage the services of a long-time cranberry grower from Massachusetts to provide very practical advice to growers on-farm.

Goal #5 – Promoting Industry Self-reliance

The sustainable growth and development of the agriculture and food industry rests on the development of strong enterprises that are focused on market opportunities and that remain competitive. The department recognizes that producers need to strengthen their position in the marketplace. The provincial government is committed to creating an environment that helps enterprises excel. Increased industry self-reliance is achieved through greater efficiency, innovation and entrepreneurship.

Strategies

The department continues to assist industry organizations, including the Federation of Agriculture and the National Farmers Union, to become more self-reliant. The *Farm Registration and Farm Organizations Funding Act* provided for secure stable funding for farm organizations. The funding helps the organizations with costs associated with advocating on behalf of farmers and their businesses, and for providing services and opportunities to their members. A Department of Agriculture staff person serves as the registrar of farms.

The Department delivered a successful continuing education program for pesticide applicators as one way for them to renew their certification. The courses offered information to keep producers abreast of new technology, industry developments, human health and safety considerations, and government regulations. Participation numbers in 2010 doubled the previous year participation,

and producers were positive about the hands-on practical training they received.

Throughout the year, numerous events, short courses and training workshops were offered to Island producers. Scouting clinics, potato field workers meetings, blueberry and cranberry field days, and grower twilight meetings were held. Staff also assisted several commodity groups with industry newsletters and information dissemination.

In 2010, the number of dairy producers remained consistent at approximately 200 producers. One avenue of value added income that some producers continue to pursue is the sale of breeding stock and embryos. Prince Edward Island has gained the reputation of a world leader in supplying and developing award winning animals. In 2010 this reputation was reinforced with Winterbay Goldwyn Lotto, bred by Winterbay Farms, Bedford, PEI winning the Grand Champion designation at the Royal Agricultural Winter Fair in Toronto.

The department examined new opportunities for regional cooperation in agriculture initiatives.

The Renewable Energy Initiative that was launched this past year is designed to provide producers with some energy independence and protection from the volatile costs of traditional energy sources. The program is for farm operations and involves an on-farm energy audit to help identify energy efficiency opportunities and providing direction in the development of on-farm renewable energy production. Source of renewable energy generation may be solar, biomass, wind or anaerobic digestion.

The department has worked closely with all sectors of the industry and with groups of producers to encourage greater cooperation in the development of new products and markets.

Divisional Overviews

Corporate and Financial Services

Corporate Services

The Corporate and Financial Services Division is responsible for providing corporate management services within the Department of Agriculture and the Department of Fisheries, Aquaculture and Rural Development. Services includes both financial administration and human resource management for both departments. The delivery of the Farm Safety Net Programs for the Department of Agriculture is also administered within the Farm Income Risk Management section of the division.

The mandate of the division is to support the effective management of the departments through the delivery of key corporate services. In this capacity, the division works closely with the Minister's offices and the divisions within the two departments.

The following table outlines the primary management functions performed by the Corporate and Financial Services Division:

Responsibility Area	Management Functions
Financial Administration	Fiscal management and budgetary control; financial reporting and analysis, financial administration and accounting services; records management,
Human Resource Management	Human Resource planning; benefits, staffing, payroll, FOIPP, and labour relations
Farm Income Risk Management	Agri-Stability Program; Agri-Insurance, Agri-Invest and Ad-Hoc Programs.

Human Resources

The Department of Agriculture is committed to the development and sustainability of its human resources. In January 2011, the department endorsed its Human Resources Plan for 2011 - 2013. The plan recognizes that a highly skilled professional workforce is necessary to achieve the strategic goals of the department. The planning process was to ensure alignment of human resources with the strategic plan. The plan will be monitoring on an on-going basis with key performance measurements identified.

This year the Human Resource Division focused on implementation of the HR Plan and ensuring that staff were heard through initiatives identified in the 2010 staff survey. The importance of

employee wellness and recognition were two main areas identified by the Employee Network Team. In Spring 2011, the department's first Recognition Plan was established.

As identified in the HR Plan, the department continues its commitment to employee development. Throughout the fiscal year, and with departmental financial contributions, employees participated in continued educational programs such as Masters, post-secondary degrees and certificate programs. Financial resources were also allocated for preparatory training and the writing of exams for a number of staff engaged in obtaining the Certified Crop Advisory designation.

The rate of recruitment activities remained neutral for 2010-2011. Due to impending retirement of baby boomers, which is expected to have an impact on our workforce, the department has identified succession planning as one of its priorities in the next few years. During this fiscal year, the department was challenged with the departure of two (2) long term employees due to retirement. There has been a huge loss of corporate knowledge as key staff members left the department over the past few years. Attracting and keeping skilled and dedicated employees is critically important in delivering the quality programs that are offered by the Department of Agriculture.

Position Establishment (as of March 31, 2011)

	Full-time	Part-time	Total
Minister's Office	4	0	4
Corporate and Financial Services	29	10	39
Agriculture Resources	30	3	33
PEI Analytical Laboratories	13	1	14
Agriculture Policy and Regulatory	17	3	20
Total	93	17	110

In addition to the above established permanent positions, the department employed 65 casuals, 21 PSC temporaries and 15 students.

Farm Income Risk Management

The Farm Income Risk Management Section of the Department of Agriculture supports Prince Edward Island agriculture through the delivery of Federal/Provincial agricultural safety net programs. Delivery of these program is done through a crown corporation called the P.E.I. Agricultural Insurance Corporation (AIC).

The package of safety-net programs which were offered in 2010/11 is part of the "Growing Forward" initiative and they are designed to assist producers to reduce the impact of income or production losses on their farms. The suite of programs administered through AIC are:

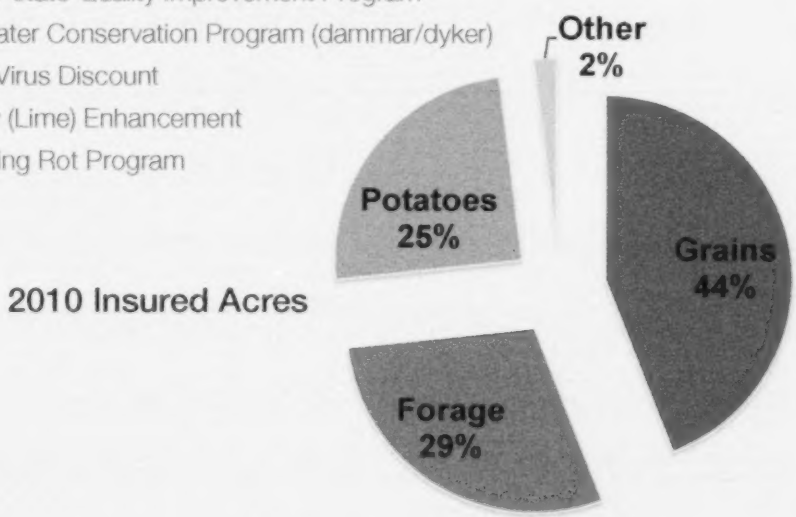
- AgriInsurance (AI) formally Crop Insurance or Production Insurance (PI)
- Canadian Agricultural Income Stabilization (CAIS) program which provided whole farm margin based support from 2003 to 2007
- AgriStability - replacing CAIS; effective with the 2007 support year
- AgriInvest - a savings account program similar to NISA; effective with the 2007 year
- AgriRecovery - a disaster assistance program; effective with the 2008 year

The Province of Prince Edward Island provided additional funding for the AgriInsurance program through rider programs such as:

- Potato Unharvested Acreage Benefit (PUAB);
- Potato Storage Program; and
- Color Rider for Processing Potatoes.

The Province also provides funding to AgriInsurance through discounts such as:

- Nutrient Management Plan Discount
- Elite Seed Potato Quality Improvement Program
- Soil and Water Conservation Program (dammar/dyker)
- Elite Seed Virus Discount
- Soil Fertility (Lime) Enhancement
- Bacterial Ring Rot Program



2010 Production Season

The 2010 year was a good crop production year on P.E.I. The province had little snow over the winter of 2010 and the snow left early in the spring. High temperatures and good spring weather saw fields dry up quickly and producers were able to plant early and through areas which would normally be too wet to seed. During the last week of May the temperatures dropped and it rained for several weeks. Some of the low areas that were planted got drowned out and the insurance program paid Stage I losses on about 120 acres. After receiving several inches of rain during the first weeks of June the weather improved and growing conditions were nearly ideal for the remainder of the season. Harvest conditions were ideal for both grains and potatoes. Some of the late season soybeans were harvested with high moisture in wet fall conditions. Overall yields were average to above average. Very little blight was found in the potato crop but there were some problems in the east and west. The central area reported few problems, high quality product going into storage and above average yields. In total the Production Insurance Program took in $20 m in premiums and paid out $14.2 m for crop losses. It was another growth year for the insurance program with potato insurance reaching 76% of the total acres grown.

Production Insurance Program (PI)

The standard production insurance contracts were again offered in 2010 for potatoes, cereals, beans, rutabagas, cole crops, blueberries, apples, corn silage, strawberry and carrots. Premium rates rose slightly because of the high loss year in 2008 and 2009. (2008 Indemnity payments of $20.7 M - L/R 1.74; 2009 Indemnity payments $19.9M - L/R1.09) The Corporation's reserves were very low, thus increasing the loading of premium rates for self sustainability. Even with the higher premium rates, participation increased from 251,767 to 262,247 acres. (+4.1%) Insurance on the potato crop was up 7,324 acres (+12.7%) while grain acres remained constant at 117,621 acres. The insured value of all crops rose from $164 m to $180 m. (+9.75%)

2010 was a good year for the Production Insurance Program. The Corporation took in $20.4 m in total premiums from insured crops and paid out $14.2 m for losses. Loss Ratio of 0.69. The 2010 year did allow the Corporation to establish a small reserve and this will help lower premium rates for the 2011 year.

Insurance for grains and protein crops remained constant at 117,621 acres. The number of soybeans insured again showed the greatest growth with 39,828 acres insured in 2010, up from 33,867 acres in 2009. (+17.6%) Losses for grains and oilseeds reached 2.85 m - L/R 1.14. This is the fourth time over the past five years where grains and oilseeds have shown a loss ratio greater than one. There continues to be micotoxin problems with the wheat crops and losses again exceeded $1m - L/R of 2.05. The Whole Farm option was again offered for cereal grains but overall participation was low.

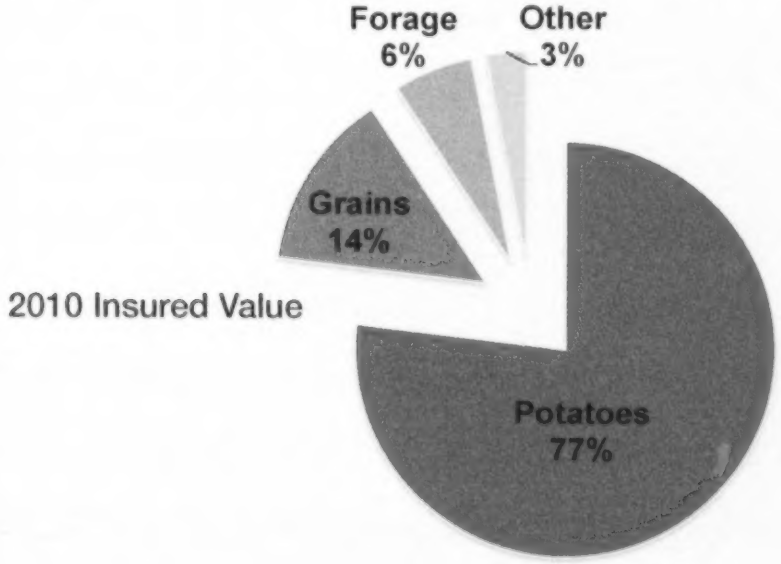
The Forage Plan was again offered with insured acres up again to 76,150 acres and an insured value of $10,966 m. Movement away from drought protection for pastures and green manure crops and to the higher Forage Plus coverage for hay and silage crops, was again evident. This is a trend that the Corporation expected to see with this plan. Due to losses in the grains the proxi crop payments again were triggered with payments of $628,095.

There continued to be interest in potato insurance with 64,995 acres of potatoes insured. (up 12.7% from 2009) This is about 76% of the total 2010 production. Ninety per cent coverage was again very popular with 89.55% of the total acres insured at this level. Ninety-five per cent of the potato acres were insured with coverage greater than 80%. This high coverage level combined with the higher unit prices offered in 2009 drove up the insured value for the potato crop to $138 m (+16.9%) and this represented 77% of the total insured value for all crops insured in the PI program. Total potato premiums collected were $16.1 m and total indemnity payments reached $10.4 m.

Acreage in the Elite Seed Program was up to 5,556 acres, a 5.7% increase over 2009. This potato program is very popular and with the provincial discounts that are offered on the premiums and for participation in the nutrient management and soils and water conservation programs, the plan is very affordable to producers. Total premiums collected for the plan were $3.7 m with $3.05 m paid out for crop losses in 2010.

Livestock Insurance was introduced in February 2009. Two plans were offered to the dairy sector as a pilot project and to launch the program. A Business Interruption program for loss of milk production and a Cattle Mortality program were developed. These programs were created from programs offered in Nova Scotia but were modified for P.E.I. and to qualify for federal/provincial cost sharing. Several new diseases were added to the mortality program in 2010. Cattle insured in the program was up 92% from 861 to 1655 head. Losses for IBR and Leukosis were high in 2010 with $80,682 paid out in the Mortality program.

In 2010 the Corporation again held meetings with the P.E.I. Potato Board and other farm organizations in order to get feedback on the Production Insurance programs.



Reinsurance coverage for the 2010 crop year was again purchased through AON Benfield at a cost of $2.5 m. Re-insurance coverage began at $22.7m in losses and ended with 100% coverage at $69.3 m. Total losses of $14 m did not approach the trigger point for re-insurance. Part way through the 2010 year a decision was made to add the exposure in the Potato Storage Plan and Color Rider to the re-insurance contract. After considerable negotiation this coverage was added at no additional cost to the Corporation. Re-insurance costs are built in as a loading to premium rates and this coverage insures producers that the Corporation can cover all losses in the event of major crop loss without asking for government assistance or borrowing capital.

Again in 2010 the Provincial Government offered discounts in the Production Insurance Program as a way to support and encourage producers to participate in program offered by the Department of Agriculture. These discounts have a proven track record of promoting participation in the programs and the Corporation appreciated the Department's support and commitment to the Production Insurance Program.

Provincial Contributions for PI; Forage and Discounts:

Provincial Cost Share of Premiums (PI & Forage)	$6,099,751
Elite Seed Quality Improvement Discount	$400,373
EFP and Nutrient Management Planning Discount	$570,366
Soil and Water Conservation Discount	$163,422
Soil Enhancement (Lime) Discount	$185,390
Elite Seed Virus Discount	$175,170

Total Provincial Contributions **$7,594,472**

Provincial Premium Contributions to Other Production Insurance programs:

Potato Storage Plan (to March 2011- 28%)	$319,984
Unharvested Potato Acreage Benefit (40%)	$14,486
Color Rider for Processing Potatoes (28%)	$102,300
Bacterial Ring Rot Program (33%)	$17,318
Livestock insurance (28%)	$9,850

Total Provincial Contributions **$497,938**

Total Provincial Contributions to AgriInsurance 2010 **$8,092,410**

Canadian Agricultural Income Stabilization – CAIS AgriStability

The CAIS program was terminated with the completion of the 2006 program year and it was replaced with the AgriInvest and AgriStability programs in 2007. AgriInvest was created as a savings account and funding allocated for Tier#1 support under CAIS and AgriStability was transferred, to fund this program. AgriStability was created to replace CAIS and to continue providing margin support for declines greater than 15%.

As of March 31, 2011 the CAIS/AgriStability program had paid $81.7 m in benefit payments for the 2003 to 2010 program years. Processing of the 2009 support year was 74% complete on March 31, 2011 with $7.6m in benefit payments going out to 184 producers.

AgriInvest

The AgriInvest program was created with the introduction of a $600 million Kickstart program announced by the federal government in March 2007. The Kickstart funding was a federal only one time payment to create a savings account program for producers. These funds went out to producers in early 2008. 1,006 P.E.I. producers received $6,699,090 in Kickstart funding.

The AgriInvest program is administered by AAFC in Winnipeg. The program began with the 2007 year and encourages producers to make a contribution to a savings account each year and to receive matching Federal/Provincial contributions. Producers are eligible to contribute and receive matching contributions on 1.5% of Allowable Net Sales, each year. As of March 31, 2011 $14.5 m had been paid to producers in Kickstart and AgriInvest contributions. $8.6 m remains in producer's accounts.

AgriInvest: Value of Contributions

KickStart Funding	$6,699,090
2007 AgriInvest	$3,166,225
2008 AgriInvest	$2,743,387
2009 AgriInvest	$1,882,103
Interest	$49,981
Total	**$14,540,786**

AgriRecovery

AgriRecovery is a disaster assistance program and is designed to cover losses which are covered by the other safety-net programs. The program is requested by the province based on specific disaster situations. Due to the extremely wet year in 2008 the province applied for AgriRecovery assistance to help potato producers recover from the rot and yield losses to the 2008 crop. In total $10.7 m was paid to potato and horticulture producers.

Although there were excessive moisture problems again in 2009 the province did not apply for AgriRecovery funding.

AgriRecovery 2008:

Fall Program -	
Destruction and Disease Mitigation	$780,883
Potato offset Program	$585,510
Horticulture Inventory Payment -	
Inventory Payment	$2,289,514
Cleaning & Disinfection	$2,214,320
Cullage Adjustment Program -	
Cullage Adjustment	$4,918,243
TOTAL	**$10,788,473**

The following are historical summaries for all AgriInsurance programs :

Production Insurance Program Yield-based Insurance Program						
CROP YEAR	Farms (#)	Contracts (#)	Acres (#)	Coverage ($)	Premiums ($)	Indemnities ($)
2010/11	5e+38	1.73e+46	1.9e+72	1.689e+106	1.935e+93	13,558,318
2009/10						19,038,046
2008/09						19,617,667
2007/08						8,206,092
2006/07						5,948,068
2005/06						2,619,409
2004/05						4,424,492
2003/04						1,788,735
2002/03						925,680
2001/02						10,640,171
2000/01						2,669,051
1999/00						2,519,035
1998/99						1,706,544

Note:
PI premium cost share in 2010 was: 36% federal, 28% provincial, 36% producer
High cost coverage: 20% federal, 40% provincial, 40% producer
Provincial share of 2010 PI premiums is $5,786,391.15

Bacterial Ring Rot Protection					
Year	Farms (#)	Potato Acres Insured	Insured Value ($)	Premiums ($)	Indemnities ($)
2010/11	1.21e+22	6.330495e+47	1,037,022	5.18823e+59	150,000*
2009/10			603,915		0
2008/09			680,053		0
2007/08			747,848		0
2006/07			923,044		0
2005/06			764,593		0
2004/05			806,725		52,000
2003/04			986,266		0
2002/03			682,242		48,000
2001/02			461,358		0
2000/01			389,973		0
1999/00			505,286		0

Note:
Prince Edward Island Department of Agriculture contributed 33% of the premiums in the Bacterial Ring Rot Protection Program.
** Two insured farms had BRR in 2010. Estimated payment $150,000.*
Provincial share of 2010 BRR premiums is 33% or $17,318.28

Production Insurance Program Weather-based Forage Program –Forage					
Crop Year	Contracts (#)	Acres (#)	Coverage ($)	Premiums ($)	Indemnities ($)
2010/11	7.7080e+20	7.615e+34	10,966,422	1,119,145	6.28096e+44
2009/10			10,478,675	1,084,884	
2008/09			10,060,000	928,052	
2007/08			11,815,444	1,080,599	
2006/07			10,999,973	1,004,049	
2005/06			11,749,621	1,056,518	
2004/05			8,714,008	522,841	

Note:
Weather-based program introduced for Forage in 2004.
10 weather stations across PEI monitor the weather in each region.
Provincial share of 2010 BRR premiums was $313,360.68

Production Insurance Program Other Insurance Programs and Riders Potato Unharvested Acreage Benefit *(PUAB)*; Potato Storage Program *(Storage)* Color Rider for Processing Potatoes *(Color)* Brocolli and Cauliflower By-Pass *(By-Pass)*					
Year	Programs	Contracts (#)	Coverage ($)	Total Premiums ($)	Indemnities ($)
2010	*PUAB* *Storage*** *Color*	2217382	4.040541e+22	121,216 1,591,079* 365,359	159,688 829,180.78* 193,993
2009	*PUAB* *Storage*	928	1.650139e+13	48414118621	440554
2008	*PUAB* *Storage*	132	1.778313e+13	5203953966	0
2007	*PUAB* *Storage*	2438	3.919526e+13	15070689608	582740
2006	*Storage* *By-Pass*	1011	330486341136	1496834113	699313688
2005	*By-Pass*	17	545820	54582	36859
2004	*By-Pass*	19	447722	44772	4247

Note:
The Provincial share of premiums in 2010 was PUAB – $48,486; Storage $445,502; Color $102,300. Total $596,288.

*** The Potato Storage program was changed in 2010 to cover the 2010 potatoes crop in storage through until August of 2011. Premiums are collected each month based on the inventory still in storage. As of May 2011 the program had earned $1.5m in premiums and paid out $828,000 in losses. Coverage will continue for three more months or until August 2011. Provincial share of premiums is the provincial share (28%) of premiums collected to May 2011.*

Production Insurance Program Livestock Insurance – Dairy					
Year	Programs	Contracts #	Coverage ($)	Total Premiums ($)	Indemnities ($)
2010	*Business Interruption Mortality*	2142	1.8099692e+13	869826480	80682
2009	*Business Interruption Mortality*	1324	1179391926208	157804452	0

Note:
Livestock program introduced in 2009
Provincial share of premiums in 2010 was $9,849

Production Insurance Program *Provincial Discounts* Environmental farm Plan *(EFP)* Discount Nutrient Management Plan *(NMP)* Discount Soil and Water Conservation *(S&W)* Discount - dammar dyker Soil enhancement Program *(LIME)* Discount Elite Seed Virus *(ESV)* Discount					
Year	EFP $	NMP $	S&W $	LIME $	ESV $
2010		570366	163421	185390	175170
2009		396460	110565		
2008	96995	137784	54501		
2007	151731	40030			
2006	146794	34276			
2005	153277	25723			
2004	217796				
2003	134039				

Note:
The province introduced an Environmental Farm Plan (EFP) discount in 2003 for those producers in crop insurance who completed an EFP training course. The discount is a reduction to producer's premiums. This initiative supported the province's emphasis on environmental farm planning and helped to promote the EFP program within the farming community. In 2005 the discount was extended to the Nutrient Management Program and the discount was divided between the two plans. In 2008 a Soils and Water Conservation discount was introduced for those producers who

used a dammar/dyker on potato ground. In 2009 the EFP and NMP discounts were combined. In 2010 a Lime and Elite Seed Virus discount were added.

Total discounts paid for these programs by the Province in 2010 was $1,094,347.

Elite Seed Potato Quality Improvement Program (Espqip)				
Program	Applicants (#)	Acres (#)	Average Payment per acre	Total Amount ($)
2010 - PI Premium Assistance	52	5556	72.06	400372
2009 - PI Premium Assistance	48	5254	73.36	385445
2008 - PI Premium Assistance	31	3394	48.64	165114
2007 - PI premium Assistance	26	2650	38.97	103280
2006 - PI Premium assistance	32	2820	37.38	105428
2005 - PI assistance[1]	22	1933	42.41	81975
2004 - PI assistance[2]	14	1239	35.16	43563
2003 - CIP assistance[3]	26	1857	18.4	34160
2002 - CIP assistance[4]	25	3024	22.17	67034
2001 - CIP assistance[5] - /acre pmt	6840	66521438	51.28 600.00	341,155 862,977
2000 Virus Reduction - CIP assistance Seed Incentive/acre	10839	62691433	63.03 600.00	395,164 860,181

Notes:

2006 to 2010 the Province discounted the producer's premium costs for Elite Seed coverage by 10%. – this is a discounted premium cost paid by the Province to encourage elite seed production.

[1] PI assistance was 11% of total premiums which reduced the producer cost for the Elite Seed Plan from 36% to 25%.

[2] PI assistance was 9% of total premiums which reduced the producer cost for the Elite Seed Plan from 34% to 25%.

[3] CIP assistance was 8% of total premiums which reduced the producer cost for the Elite Seed Plan from 33% to 25%.

[4] CIP assistance was 8.33% of total premiums which reduced the producer costs for the Elite Seed Plan from 33.33% to 25%.

[5] CIP assistance is additional subsidy up to $75/acre for crop insurance premiums.The per acre incentive was $600/acre for specified varieties and seed classes that were dead by August 12.

The following are historical summaries for all Farm Income Support programs:
Margin-based Programs – CFIP: AgriStability
Savings Accounts Programs – NISA; AgriInvest

AIDA/CFIP/CAIS/AgriStability Margin-based Disaster Assistance			
CLAIM YEAR	Qualifying Applicants	Average Payment per Applicant	Total Payments
AgriStability			
- 2009 claim year	5.8160464972e+35	$41,716	$7,675,698
- 2008 claim year		$39,565	$6,844,660
- 2007 claim year		$36,089	$6,279,420
CAIS - 2006 claim year		$29,436	$9,713,875
- 2005 claim year		$30,126	$8,073,681
- 2004 claim year		$48,685	$22,833,405
- 2003 claim year		$36,601	$20,093,879
CFIP - 2002 claim year		$46,309	$9,493,439
CFIP - 2001 claim year		$42,823	$8,950,187
CFIP - 2000 claim year		$31,226	$7,338,146
AIDA - 1999 claim year		$27,490	$6,762,715
AIDA - 1998 claim year		$25,040	$6,285,064

** Total Payments are cost shared 60% by Canada and 40% by Prince Edward Island.*
** CAIS and Agristability average payments are calculated from those producers who qualified for a benefit payment and not the total qualifying applicants*
** Payments stated as of May 2011*
Provincial share of 2009 benefits paid in 2010 was 40% or $3,070,279

Net Income Stabilization Account				
Year	(#)	Provincial Contribution ($)	Withdrawals by producers ($)	Account Balances ($)
2004/05	2.4e+29	5,799	24,000,000	14,793,694
2003/04		1,6,73,699	20,878,784	37,822,568
2002/03		1,589,901	9,989,970	50,128,568
2001/02		1,605,152	12,589,008	44,999,235
2000/01		2,686,024	10,885,480	47,634,097
1999/00		2,671,162	7,618,444	41,257,786
1998/99		2,331,105	8,795,028	33,846,019
1997/98		2,042,700	4,149,699	28,029,100
1996/97		1,873,700	1,476,727	19,523,000
1995/96		790,000	510,765	9,658,000

Notes:

**Provincial contribution was 2% of Eligible Net Sales plus provincial share of the interest bonus.*
**Canada contributes two times the amount the province contributes to NISA annually.*
**Program terminated in 2003. Producers to close accounts by March 2009.*

AgriInvest ACCOUNT				
Support Year	(#)	Total Contribution ($)	Producers With Account Balances	Value of Account Balances
Kickstart	1e+12	6,699,090		
2007		3,166,225		
2008		2,743,387	1036866	
2009		1,882,103		$8,619,877
Interest		49,981		
TOTAL		$14,510,786		

Note:

Kickstart Program announced in March 2007 – $600,000,000
Federal, one time only payment of Kickstart funding – $6,699,090 federal only.
Savings account requires a producer deposit to trigger Federal/Provincial matching funds
Provincial share of matching contributions $3,136,678

Total Provincial Contributions for 2010:

2010 AgriInsurance	Production Insurance	$ 5,786,391
	Forage Insurance	$313,360
	Bacterial Ring Rot	$17,318
	PUAB Rider	$48,486
	Color Rider	$102,300
	Storage Rider	$445,502* to May 2011
	Livestock Insurance	$9,849
	Discounts:	$1,494,723
	AgriInsurance	$ 7,772,427*
	AgriStability	$11,642,122**
	AgriInvest	$ 3,421,612**

* *totals for 2010 PI year*
** *totals for 2010 fiscal year*

Agriculture Resource Division and Analytical Laboratories

The Agriculture Resource Division and the PEI Analytical Laboratories Division provide programs and services to the agriculture industry in the areas of agricultural development, laboratory services and sustainable resources management.

The **Agriculture Information Section** assists new and established farmers with agriculture advice, business development assistance and product development information. Staff serve as one of the first points of contact for the Department with over 4,000 inquires (farmer and consumer) received this year through the Agriculture Information Centre. Staff are responsible for the department website (www.peifarm.ca), a bi-weekly department e-letter, and agriculture statistics. The section is responsible for the administration and management of the Future Farmer Program, Business Development Program, and product development/marketing programming.

The **Sustainable Agriculture Resources Section** offers technical advice to farmers and landowners in the areas of soil conservation, integrated pest management, nutrient management, manure management, fuel and pesticide storage, deadstock composting, efficient use of water for irrigation purposes, and the provision of real time weather data in support of other department initiatives. This section is responsible for the Canada/PEI Agriculture Stewardship Program which provides financial and technical assistance to Island agriculture producers and land owners to solve specific environmental issues identified in their environmental farm plan.

The **Agriculture Innovation work unit** assists producers and agri-processors to be successful by focusing on innovative and value-added opportunities, by supporting agricultural organizations, and by providing agricultural advice. Priorities of the work unit are to develop new and innovative agricultural business ideas and move them forward, and to maintain commodity expertise and production specialities.

PEI Analytical Laboratories Division is an amalgamation of the dairy, soil and feed, and the water chemistry and microbiology laboratories. The amalgamated laboratory reports to both the Department of Agriculture and the Department of Environment, Energy and Forestry. The amalgamated laboratory performs a range of chemical and microbiological analyses on environmental and agricultural sample types including animal feed, milk, seed, soil, and water.

Prince Edward Island Analytical Laboratories is accredited by the Standards Council of Canada in compliance with ISO/IEC 17025. The laboratory received its first accreditation approval in 1997 and has been increasing its scope of accredited programs ever since. In 2010, the dairy section of the lab received accreditation for the use of the Bactoscan to determine Individual Bacteria Counts in raw milk samples after successfully completing the validation of the instrument. The laboratory is scheduled to be reassessed for its accreditation in early 2012. The laboratory is also accredited for seed germination with the Canadian Food Inspection Agency and the Canadian Seed Institute.

In the fall of 2010, the lab staff reviewed plans for a new building to house the labs in a single facility. The plans have been submitted to Treasury Board for project approval.

Agriculture Policy and Regulatory

The Policy and Regulatory Division of the Department of Agriculture is instrumental in a variety of departmental activities. The division ensures Prince Edward Island's agriculture sector is represented at the national level and lobbies to ensure PEI's position is acknowledged. As part of this national participation, the division negotiates funding agreements that enable federal funds to flow into PEI's agriculture sector. The division conducts research and analysis to determine the impact of government stances on policy, trade and supply managed commodities to guide negotiations.

The division is responsible for the enforcement and maintenance of 19 Acts and the associated regulations. The scope of activities related to legislation involves the creation of two crown corporations, plant health, animal health, animal welfare, forestry, commodity boards, rules of operation for specific associations, licensing and invasive species.

The division also works to improve federal/provincial on-farm and post-farm food safety, biosecurity, and traceability by supporting a variety of initiatives that help to inform producers about advances in this area as well as fund specific on-farm improvements.

Growing Forward

Under Growing Forward, the Agriculture Policy and Regulatory Division proactively collaborates with Agriculture and Agri-Food Canada (AAFC) to negotiate and enable delivery of Federal/ Provincial/Territorial (FPT) Agreements that provide millions of dollars to PEI agriculture. Funding received through FPT agriculture policy agreements promotes the growth and success of the agriculture industry on Prince Edward Island.

The Growing Forward Agreement (2009-2013), between the PEI Department of Agriculture and AAFC, provides $24 million to PEI agriculture while the Agricultural Flexibility Fund (2009-2014) provides $9.9 million. The Agriculture Policy and Regulatory Division works to enable the delivery of the agreements, report on the status of financial and performance requirements, and participate in numerous Federal/Provincial/Territorial committees on various elements of the agreements.